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SUBJECT: MALAWI'S MIXED FEELINGS ON HONG KONG TALKS

¶1. In a recent briefing for the private sector, Malawi's trade ministry indicated both satisfaction and disappointment at the outcome of December's WTO ministerial conference held in Hong Kong. As expected, the GOM had been concerned mainly about concessions to least-developed countries (LDCs). The Ministry was particularly pleased with agreements on LDC development, aid for trade, and non-agricultural market access. Malawi is also happy with the decision to amend the TRIPS agreement.

¶2. To take better advantage of open markets, the GOM understands that Malawi needs to build capacity and deal with supply side constraints such as poor infrastructure (roads, telecommunications, utilities), trade facilitation structure (customs administration and standards) and other trade-related public institutions. Malawi assumes that an "Aid for Trade" agreement will increase aid and that it stands to gain substantially through programs that would address its supply-side bottlenecks.

¶3. While noting good progress on eliminating export subsidies by 2013, the GOM expressed dissatisfaction with the WTO's failure to reach a consensus for domestic support for production. Citing the relative sizes of domestic production support vs. export subsidies (particularly the EU, with 55 billion euros for domestic support and 1 billion for export subsidies), the GOM ministry argued that the removal of export subsidies will have little benefit to Malawi as long as domestic subsidies are still in place.

¶4. COMMENT: The GOM's trade position appears to be driven mainly by the fear of further erosion in trade preferences. These preferences have given Malawi the very limited access to developed markets that it has had so far. As world markets liberalize, the GOM is anxious to see programs that will give it an effortless leg up in building exports. At the same time, there is little understanding that Malawi could make a much bigger difference by improving its own internal business environment, or indeed that no program will produce dramatic results until that work is done. In any case, it is clear that Malawi's support for further world trade liberalization will come only with measures that make global competition look easy.

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